

BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF WASHINGTON

In the Matter of the Application  
regarding the Conversion and  
Acquisition of Control of Premera Blue  
Cross and its Affiliates

Docket No. G02-45

SPECIAL MASTER'S SECOND ORDER  
ON OBJECTIONS TO PREMERA'S  
"AEO" AND "CONFIDENTIAL"  
DESIGNATIONS

The Commissioner's Seventeenth Order, Paragraph 2.b., provides: "By close of business November 10, 2003, Premera and the Interveners will provide their expert reports to the Commissioner and all parties....The parties have until 10:00 a.m. on November 13, 2003, to designate protected information in accordance with the Eighth Order [Protective Order], at which time they will provide copies of the reports so designated to each other. By close of business on November 17, 2003, any party may file objections to designations made by another party with the Special Master. By close of business on November 19, 2003, parties may respond to any filed objections. The burden is on the party proposing the designation to prove it is proper."

Premera timely proposed certain redactions to the expert reports. This matter now comes before me pursuant to the "OIC Staff's objections to Premera's proposed redactions to experts' reports," the Interveners' "Objections to 'AEO' and 'Confidential' designations in expert reports filed by Premera," and the Hospital Associations' "Objections to Premera's 'AEO' and 'Confidential' designations regarding the expert report of Steven B. Larsen," all dated November 17, 2003. I have considered such objections, as well as "Premera's response to objections regarding proposed redactions to

Premera and Intervener expert reports,” and the “Second Declaration of Kent S. Marquardt in support of Premera’s proposed redactions of expert reports,” both dated November 19, 2003.

The following matrix identifies the expert reports at issue, the page numbers of Premera’s proposed redactions to such reports, the “redaction numbers” that OIC assigned for convenience of reference, and my rulings (which are based on the statutes and orders discussed at pages 2-5 in the “Special Master’s order on objections to Premera’s ‘AEO’ and ‘Confidential’ designations,” dated November 17, 2003). Where the “Rulings” column indicates “withdrawn,” Premera has withdrawn its former objection to disclosure, and the referenced material shall be disclosed. Where the Rulings column indicates “disclose,” I have overruled Premera’s objection to disclosure, and the referenced material shall be disclosed. Where the rulings column indicates “sustained,” I have sustained Premera’s proposed redaction.

Rulings sustaining Premera’s proposed redactions are without prejudice to later disclosure of the redacted material if 1) the Commissioner determines under RCW 48.31C.130 that such disclosure is appropriate; 2) such material or related material is demonstrated to have been made public (see Paragraph 6(b), Protective Order); or 3) for other good cause shown.

DATED this 24<sup>th</sup> day of November, 2003.

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George Finkle  
Superior Court Judge, Retired  
Special Master

Lewis Reid Report (1)

Page	Redaction Number	Comment
6	1-1	Withdrawn.

Banc of America Securities LLC Report (2)

Page	Redaction Number	Comment
16	2-1 through 2-4	Disclose. These charts compare Premera's revenue, medical membership, EBITDA, and net income for the "LTM" (latest twelve month data as of 12/31/03. Though Premera's financial projection data appears to be, at least in part, the source of the LTM data, Premera's audited financial reports, accessible on its website, provide comparable historical data. The charts do not disclose significant proprietary data or trade secrets.
17	2-5 through 2-8	Disclose. These entries include Premera's Form A filing and historical data. See also 2-1.
18	2-9	Withdrawn.
18	2-10	Withdrawn.
19	2-11 through 2-14	Disclose LTM column. See 2-1. Sustained as to the balance of these passages, which include post-IPO projections that constitute significant proprietary data and trade secrets.
19	2-15	Withdrawn

NovaRest Consulting Report (3)

Page	Redaction Number	Comment
14	3-1	Withdrawn

NERA Report (4)

Page	Redaction Number(s)	Comment
ES-7	4-1 and 4-2	Sustained. This redaction is not a generalization regarding comparisons of reimbursement rates, but rather specific percentage comparisons. The amounts Premera reimburses physicians constitute significant proprietary data and trade secrets.
ES-8	4-3 and 4-4	Withdrawn.
ES-8	4-5 and 4-6	Sustained. This footnote compares how Premera reimburses its providers in various geographic regions and includes projections as to how those reimbursements may change, which constitute significant proprietary data and trade secrets.
5	4-7	Withdrawn.
40	4-8 and 4-9	Withdrawn.
43	4-10 through 4-12	Sustained. OIC Staff and Interveners suggest that this data as to the specific numbers of members which Premera lost between 2001 and 2002 (by line of business) is publicly available, but cite no public source for this information, which constitutes significant proprietary data and trade secrets.
44	4-13	Sustained. This table shows Premera's total enrollment by line

		of business, which constitutes significant proprietary data and trade secrets.
53	4-14 and 4-15	Withdrawn.
53	4-16	Sustained. This table related to physician reimbursement appears to disclose significant proprietary data and trade secrets.
55	4-17 and 4-18	Sustained. See 4-1.
57	4-19	Sustained. This table appears to be based on Premera's non-public information, including actuarial data related to claims payments, and constitute significant proprietary data and trade secrets.
58	4-20	Withdrawn.
59	4-21 – 4-27	Sustained. The information contained in all these passages relates to Premera's area adjustment factors, which constitute significant proprietary data and trade secrets
60	4-28	Withdrawn.
66	4-29	Sustained. This table appears to be based on Premera's non-public information, including actuarial data related to medical expenses, which constitute significant proprietary data and trade secrets.
Table B-3	4-30	Withdrawn.
Tables B-4 through B-7	4-31 – 4-34	Withdrawn.
Tables B-9 through B-20	4-35 – 4-46	Sustained. See 4-16
Tables B-21 and B-22	4-47 and 4-48	Sustained. See 4-16.

Towers Perrin Report (5)

<b>Page</b>	<b>Redaction Number</b>	<b>Comment</b>
6	5-1 and 5-2	Withdrawn.
10	5-3	Withdrawn.
15	5-4	Withdrawn.
15 - 17	5-5 through 5-12	Withdrawn.
18-19	5-13 and 5-14	Sustained. The specific provisions and amount of benefits paid to executives under CiC provisions constitute significant proprietary data and trade secrets.
19	5-15 – 5-18	Withdrawn
20	5-19	Sustained. The details of Premera's deferred compensation program constitute significant proprietary data and trade secrets.
24-25	5-20 through 5-25	Withdrawn.
28	5-26 – 5-27	Sustained. See 5-19. The apparent website publication of this data by a reporter citing a "whistleblower" source does not constitute "information that has previously been disclosed voluntarily and without any claim of confidentiality." (See Protective Order Para. 6(b)).
33 - 44	5-28 – 5-65	Withdrawn.

John M. Steel Report (6)

<b>Page</b>	<b>Redaction Number</b>	<b>Comment</b>
3 - 4	6-1 through 6-3	Sustained. These passages reveal the internal decision-making process of the Premera Board with respect to a potential merger with a competitor, which constitutes significant proprietary data and trade secrets. See 7-81, 11/17/03 Order.
A-1	6-4	Withdrawn

Larsen Report (7)

<b>Page</b>	<b>Redaction Number</b>	<b>Comment</b>
19	7-1 through 7-3	Withdrawn.
19	7-4	Disclose. This passage recites the conclusion of the consultant in OIC Report 1, and does not disclose significant proprietary data or trade secrets.
20	7-5 and 7-6	Sustained. The amount Premera pays its providers in various geographic regions constitutes significant proprietary data and trade secrets.
20	7-7 and 7-8	Withdrawn.
20	7-9	Sustained. This redaction is not a generalization regarding Premera's negotiated discounts with providers, but rather the specific discount percentages and constitutes significant proprietary data and trade secrets.
20	7-10 through 7-16	Withdrawn.
23	7-17	Withdrawn, as to "highest profitability." The OIC agrees that all other redactions are proper.
24	7-18 and 7-19	Disclose. This passage generalizes about the projected performance of Premera's Small Group business and does not disclose significant proprietary data or trade secrets.
24	7-20	Withdrawn.
24	7-21	Withdrawn.
24	7-22 and 7-23	Withdrawn.
25	7-24 and 7-25	Withdrawn

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